

CITY OF STANTON
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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City of Stanton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kirk Requist	Mayor	January 2016
Harold Clark	Council Member	January 2014
Duane Dinville	Council Member	January 2014
Tysen Sederburg	Council Member	January 2014
Ray Guffey	Council Member	January 2016
Kelvin Wenberg	Council Member	January 2016
Marilyn Rubel	City Clerk	Indefinite
Thomas Stamets	Attorney	Indefinite

City of Stanton



Diane McGrain, CPA
Jim Menard, CPA

August 12, 2013

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stanton, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Continued....

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August 12, 2013
City of Stanton
Independent Auditors' Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total cash basis fund balance at July 1, 2012.

Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total cash basis fund balance at July 1, 2012, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stanton as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Stanton's basic financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Continued...

August 12, 2013
City of Stanton
Independent Auditors' Report

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total cash basis fund balance at July 1, 2012, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 12 and 27 through 28 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2013 on our consideration of the City of Stanton's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Stanton's internal control over financial reporting and compliance.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Stanton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$373,000. Property taxes were approximately \$147,000 and intergovernmental receipts were \$113,000.
- Disbursements were approximately \$568,000. Public works and capital projects were \$172,000 and \$280,000, respectively.
- The City's total cash basis net position decreased 5.2%, or approximately \$67,000, from June 30, 2012 to June 30, 2013. Of this amount, the assets of the governmental activities decreased approximately \$187,000, and the assets of the business type activities increased by approximately \$120,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, electric system and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the electric, water, sewer, landfill and deposit funds.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$429,131 to \$241,856. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		Year Ended June 30, 2013
Receipts and transfers:		
Program receipts:		
Charges for service	\$	12
Operating grants, contributions and restricted interest		113
Capital grants, contributions and restricted interest		32
General receipts:		
Property tax		151
Local option sales tax		64
Grants and contributions not restricted to specific purpose		1
Total receipts and transfers		<u>373</u>
Disbursements:		
Public safety		46
Public works		172
Culture and recreation		38
Community and economic development		1
General government		32
Capital projects		280
Total disbursements		<u>569</u>
Change in cash basis net position before transfers		(196)
Transfers, net		<u>9</u>
Change in cash basis net position		(187)
Cash basis net position beginning of year		<u>429</u>
Cash basis net position end of year	\$	<u><u>242</u></u>

The City's total receipts for governmental activities was \$372,879.

The cost of all governmental activities this year was \$568,807. However, as shown in the Statement of Activities and Net Position the amount taxpayers ultimately financed for these activities was only \$411,093 because some of the cost was paid by those directly benefited from the programs (\$11,774), or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$145,940). The City paid the remaining "public benefit" portion of governmental activities with approximately \$150,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		Year Ended June 30, 2013
Receipts and transfers:		
Program receipts:		
Charges for service:		
Electric	\$	658
Water		177
Sewer		95
Landfill		6
Deposits		6
General receipts:		
Unrestricted interest on investments		2
Miscellaneous		3
Total receipts		<u>947</u>
Disbursements and transfers:		
Electric		551
Water		167
Sewer		91
Landfill		6
Deposits		3
Total disbursements and transfers		<u>818</u>
Change in cash basis net position before transfers		129
Transfers, net		<u>(9)</u>
Change in cash basis net position		120
Cash basis net position beginning of year		<u>863</u>
Cash basis net position end of year		<u>983</u>

Total business type activities receipts for the fiscal year were approximately \$947,000. The cash balance increased by approximately \$120,000 from the prior year. Total disbursements for the fiscal year were \$818,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Stanton completed the year, its governmental funds reported a combined cash basis fund balance of \$241,856, a decrease of \$187,275 above last year's total of \$429,131. The following are the major reasons for the changes in cash basis fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$46,324 from the prior year to \$140,252. The cash balance increased because some of the projects budgeted for were not completed in the fiscal year, such as the Greenbelt project comprehensive plan. There is also money in the account that is to be used to furnish the library once the Viking Center is done. That money came from several grants to the library.
- The Road Use Tax Fund cash balance increased by \$9,731 to \$68,883 during the fiscal year.
- The I Jobs Fund cash balance remained at \$78,962.
- The Local Option Sales Tax Fund increased by \$5,032 to \$104,439 during the fiscal year.

- The Capital Projects Fund cash balance decreased \$247,414 to (\$168,069) due to construction costs of the Viking Community Center.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund cash balance increased by \$98,832 to \$741,710, due to various expenses for the year were lower than expected.
- The Water Fund cash balance increased by \$15,550 to \$101,156.
- The Sewer Fund cash balance increased by \$3,227 to \$125,840.

BUDGETARY HIGHLIGHTS

The City's budget was approximately \$3 million less than budgeted. This was due primarily to intergovernmental funds anticipated for a capital project. Likewise, total disbursements were \$2.7 million less than budgeted for costs not spent on this project.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$903,000 in revenue notes compared to \$956,000 last year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Stanton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities. Some of the major items addressed in the budget included construction of the Viking Center, audit, re-codification, and sewer improvements.

Amounts available for appropriation in the operating budget are \$4,046,100 a decrease of 7.36% under the final 2013 budget. This would be mainly because a small amount of money had been spent on the Viking Center project in the previous year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marilyn Rubel, City Clerk, P.O. Box 189, Stanton, Iowa.

Basic Financial Statements

Exhibit A

City of Stanton
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2013

					Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		

See notes to financial statements

City of Stanton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2013

	General	Special Revenue			Capital Projects	Other Nonmajor Governmental Funds	Total
		Road Use Tax	I Jobs	Local Option Sales Tax			
Receipts	\$						
Property tax	117,332	-	-	-	-	30,127	147,459
Other city tax	3,312	-	-	63,694	-	8	67,014
Licenses and permits	79	-	-	52	-	-	131
Use of money and property	102	-	-	-	-	-	102
Intergovernmental	13,841	65,982	-	-	32,468	-	112,291
Charges for service	5,264	-	-	-	-	-	5,264
Miscellaneous	40,618	-	-	-	-	-	40,618
Total receipts	180,548	65,982	-	63,746	32,468	30,135	372,879
Disbursements							
Operating:							
Public safety	43,397	-	-	-	-	2,824	46,221
Public works	36,726	56,251	-	58,714	-	19,959	171,650
Culture and recreation	36,099	-	-	-	-	2,359	38,458
Community and economic development	1,000	-	-	-	-	-	1,000
General government	29,116	-	-	-	-	2,480	31,596
Capital projects	-	-	-	-	279,882	-	279,882
Total disbursements	146,338	56,251	-	58,714	279,882	27,622	568,807
Excess (deficiency) of receipts over (under) disbursements	34,210	9,731	-	5,032	(247,414)	2,513	(195,928)
Other financing sources (uses):							
Operating transfers in	12,114	-	-	-	-	-	12,114
Operating transfers out	-	-	-	-	-	(3,461)	(3,461)
	12,114	-	-	-	-	(3,461)	8,653
Net change in cash balances	46,324	9,731	-	5,032	(247,414)	(948)	(187,275)
Cash balances beginning of year	93,928	59,152	78,962	99,407	79,345	18,337	429,131
Cash balances end of year	\$ 140,252	68,883	78,962	104,439	(168,069)	17,389	241,856
Cash Basis Fund Balances							
Restricted for:							
Streets	-	68,883	-	-	-	-	68,883
Capital projects	-	-	78,962	-	-	-	78,962
Community betterment	-	-	-	104,439	-	-	104,439
Other purposes	-	-	-	-	-	17,389	17,389
Unassigned	140,252	-	-	-	(168,069)	-	(27,817)
Total cash basis fund balances	\$ 140,252	68,883	78,962	104,439	(168,069)	17,389	241,856

See notes to financial statements

City of Stanton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise Funds				Total
	Electric	Water	Sewer	Other Nonmajor Enterprise Funds	
Operating receipts:					
Charges for service	\$ 657,977	177,284	95,210	5,872	936,343
Operating disbursements:					
Business type activities	551,615	83,208	91,119	8,760	734,702
Excess (deficiency) of operating receipts over (under) operating disbursements	106,362	94,076	4,091	(2,888)	201,641
Non-operating receipts (disbursements):					
Interest on investments	1,669	85	277	-	2,031
Miscellaneous	2,367	368	329	5,950	9,014
Debt service	-	(83,662)	-	-	(83,662)
Total non-operating receipts (disbursements)	4,036	(83,209)	606	5,950	(72,617)
Excess (deficiency) of receipts over (under) disbursements	110,398	10,867	4,697	3,062	129,024
Other financing sources (uses)					
Operating transfers in	1,470	4,683	-	-	6,153
Operating transfers out	(13,336)	-	(1,470)	-	(14,806)
	(11,866)	4,683	(1,470)	-	(8,653)
Net change in cash balances	98,532	15,550	3,227	3,062	120,371
Cash balances beginning of year	643,178	85,606	122,613	11,302	862,699
Cash balances end of year	\$ 741,710	101,156	125,840	14,364	983,070
Cash Basis Fund Balances					
Restricted for debt service	\$ -	11,799	-	-	11,799
Unrestricted	741,710	89,357	125,840	14,364	971,271
Total cash basis fund balances	\$ 741,710	101,156	125,840	14,364	983,070

See notes to financial statements

City of Stanton

City of Stanton
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies

The City of Stanton is a political subdivision of the State of Iowa located in Montgomery County. It was first incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides electric, water, sewer and landfill utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Stanton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Montgomery County Assessor's Conference Board, Montgomery County Landfill Association, and Montgomery County Emergency Management Commission.

City of Stanton
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

City of Stanton
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The I Jobs Fund is used to account for projects financed with I Jobs funds.

The Local Option Sales Tax Fund is used to account for receipts from tax authorized by referendum and used for community betterment projects.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through proprietary funds.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electric utility.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

City of Stanton
Notes to Financial Statements
June 30, 2013

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting

The City of Stanton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2011, to compute the amounts which became liens on property on July 1, 2012. These taxes were due and payable in two installments on September 30, 2012 and March 31, 2013, at the Montgomery County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Stanton
Notes to Financial Statements
June 30, 2013

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,224,926.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue notes are as follows:

Year Ending June 30,	Revenue Notes	
	Principal	Interest
2014	\$ 55,000	24,815
2015	57,000	23,453
2016	60,000	22,041
2017	62,000	20,555
2018	64,000	19,020
2019-2023	260,000	71,916
2024-2028	239,000	37,860
2029-2030	106,000	4,800
Total	\$ 903,000	224,460

The City has a legal debt limit of approximately \$1,200,000, which was not exceeded during the year ended June 30, 2013.

City of Stanton
Notes to Financial Statements
June 30, 2013

NOTE (3) Bonds and Notes Payable - Continued

Revenue Notes

The city has pledged future water customer receipts, net of specified operating disbursements, to repay \$420,000 of water revenue notes issued in May 2000, and \$860,000 of water revenue notes issued in August 2010. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 90% of the net receipts. The total principal and interest remaining to be paid on the notes is \$1,127,460. For the current year, principal and interest paid and total customer net receipts were \$53,000 and \$28,680, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue note sinking accounts within the Water Enterprise Fund for the purpose of making the note principal and interest payments when due.

The City has complied with the above provisions.

NOTE (4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2013 was \$11,140, equal to the required contribution for the year.

City of Stanton
Notes to Financial Statements
June 30, 2013

NOTE (5) Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2013.

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. The same premium is paid for retirees under age 65 for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premium for the City and plan members is \$412 for single coverage and \$1,005 for family coverage. The same monthly premiums apply to retirees. The City made no contributions for retired plan members eligible for benefits.

NOTE (6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2013, primarily relating to the General Fund was \$3,245. This liability has been computed based on rates of pay in effect at June 30, 2013.

NOTE (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 3,461
	Proprietary:	
	Electric	8,653
		<u>12,114</u>
Proprietary:	Proprietary	
Water	Electric	4,683
Proprietary	Proprietary:	
Sewer	Electric	1,470
Total		\$ <u>18,267</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Stanton
Notes to Financial Statements
June 30, 2013

NOTE (8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (9) Construction Contracts and Commitments

The City has the following total contract commitments on the Viking Community Center project that were not complete as of June 30, 2013:

<u>Estimated Total of Contracts</u>	<u>Paid to 06/30/13</u>	<u>Remaining Commitments</u>	<u>Retainages Payable</u>
\$ <u>2,695,631</u>	<u>279,178</u>	<u>2,416,453</u>	<u>9,592</u>

The City has been awarded \$471,966 in FEMA funds, \$625,100 in I Jobs funds, and \$513,990 in Vision Iowa funds to finance the project.

In October 2012, the City was awarded a CDBG grant for \$300,000 for a water improvement project estimated to cost over \$1,000,000.

NOTE (10) Deficit Fund Balances

The Capital Projects Fund had a deficit balance of \$168,069 at June 30, 2013. The deficit was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of project funding.

Other Information

City of Stanton
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts						
Property tax	\$ 147,459	-	147,459	147,403	147,403	56
Other city tax	67,014	-	67,014	60,038	60,038	6,976
Licenses and permits	131	-	131	175	175	(44)
Use of money and property	102	2,031	2,133	1,500	1,500	633
Intergovernmental	112,291	-	112,291	3,136,103	3,136,103	(3,023,812)
Charges for service	5,264	936,343	941,607	950,800	950,800	(9,193)
Miscellaneous	40,618	9,014	49,632	14,500	14,500	35,132
Total receipts	372,879	947,388	1,320,267	4,310,519	4,310,519	(2,990,252)
Disbursements						
Public safety	46,221	-	46,221	46,906	46,906	685
Public works	171,650	-	171,650	196,375	196,375	24,725
Culture and recreation	38,458	-	38,458	82,186	82,186	43,728
Community and economic development	1,000	-	1,000	6,000	6,000	5,000
General government	31,596	-	31,596	48,362	48,362	16,766
Capital projects	279,882	-	279,882	3,015,056	3,015,056	2,735,174
Business type activities	-	818,364	818,364	972,712	972,712	154,348
Total disbursements	568,807	818,364	1,387,171	4,367,597	4,367,597	2,980,426
Excess (deficiency) of receipts over (under) disbursements	(195,928)	129,024	(66,904)	(57,078)	(57,078)	(9,826)
Other financing sources, net:	8,653	(8,653)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(187,275)	120,371	(66,904)	(57,078)	(57,078)	(9,826)
Balances beginning of year	429,131	862,699	1,291,830	1,092,460	1,092,460	199,370
Balances end of year	\$ 241,856	983,070	1,224,926	1,035,382	1,035,382	189,544

See accompanying independent auditors' report

City of Stanton
Notes to Other Information – Budgetary Reporting
June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, culture and recreation, community and economic development, general government, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted.

Supplementary Information

City of Stanton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2013

	Special Revenue			Total
	Employee Benefits	Emergency	Urban Renewal Tax Increment	
Receipts				
Property tax	\$ 26,667	3,460	-	30,127
Other city tax	7	1	-	8
Total receipts	<u>26,674</u>	<u>3,461</u>	<u>-</u>	<u>30,135</u>
Disbursements:				
Operating:				
Public safety	2,824	-	-	2,824
Public works	19,959	-	-	19,959
Culture and recreation	2,359	-	-	2,359
General government	2,480	-	-	2,480
Total disbursements	<u>27,622</u>	<u>-</u>	<u>-</u>	<u>27,622</u>
Excess (deficiency) of receipts over (under) disbursements	(948)	3,461	-	2,513
Other financing uses:				
Operating transfers out		(3,461)		(3,461)
Net change in cash balances	(948)	-	-	(948)
Cash balances beginning of year	<u>6,001</u>		<u>12,336</u>	<u>18,337</u>
Cash balances end of year	<u>\$ 5,053</u>	<u>-</u>	<u>12,336</u>	<u>17,389</u>
Cash Basis Fund Balances				
Restricted for other purposes	<u>\$ 5,053</u>		<u>12,336</u>	<u>17,389</u>

See accompanying independent auditors' report

City of Stanton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds
Year ended June 30, 2013

	<u>Landfill</u>	<u>Deposits</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 5,872	-	5,872
Operating disbursements:			
Business type activities	<u>5,800</u>	<u>2,960</u>	<u>8,760</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	72	(2,960)	(2,888)
Non-operating receipts:			
Miscellaneous	<u>-</u>	<u>5,950</u>	<u>5,950</u>
Net change in cash balances	72	2,990	3,062
Cash balances beginning of year	<u>(83)</u>	<u>11,385</u>	<u>11,302</u>
Cash balances end of year	\$ <u>(11)</u>	<u>14,375</u>	<u>14,364</u>
Cash Basis Fund Balances			
Unrestricted	\$ <u>(11)</u>	<u>14,375</u>	<u>14,364</u>

See accompanying independent auditors' report

Schedule 3

City of Stanton
Schedule of Indebtedness
June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue notes:									
Water	May 16, 2000	1.75%	\$ 420,000	\$ 204,000	-	22,000	182,000	6,120	-
Water	Aug 4, 2010	3.00%	860,000	752,000	-	31,000	721,000	22,560	-
Total				\$ 956,000	-	53,000	903,000	28,680	-

See accompanying independent auditors' report

City of Stanton
Bond and Note Maturities
June 30, 2013

Year Ending June 30,	Revenue Notes					Total
	Water		Water			
	Issued May 16, 2000		Issued Aug 4, 2010			
	Interest Rates	Amount	Interest Rates	Amount		
2014	1.75%	\$ 23,000	3.00%	\$ 32,000	\$ 55,000	
2015	1.75%	24,000	3.00%	33,000	57,000	
2016	1.75%	25,000	3.00%	35,000	60,000	
2017	1.75%	26,000	3.00%	36,000	62,000	
2019	1.75%	27,000	3.00%	37,000	64,000	
2019	1.75%	28,000	3.00%	38,000	66,000	
2020	1.75%	29,000	3.00%	39,000	68,000	
2021	-	-	3.00%	41,000	41,000	
2022	-	-	3.00%	42,000	42,000	
2023	-	-	3.00%	43,000	43,000	
2024	-	-	3.00%	45,000	45,000	
2025	-	-	3.00%	46,000	46,000	
2026	-	-	3.00%	48,000	48,000	
2027	-	-	3.00%	49,000	49,000	
2028	-	-	3.00%	51,000	51,000	
2029	-	-	3.00%	52,000	52,000	
2030	-	-	3.00%	54,000	54,000	
		\$ 182,000		\$ 721,000	\$ 903,000	

See accompanying independent auditors' report

City of Stanton



Diane McGrain, CPA
Jim Menard, CPA

August 12, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Stanton, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 12, 2013. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles, as we were unable to satisfy ourselves as to the distribution by fund of the total cash basis fund balance at July 1, 2012.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Stanton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Stanton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Stanton's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Stanton's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued...

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City of Stanton
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13, we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Stanton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Stanton's Responses to Findings

City of Stanton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Stanton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Stanton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer & Associates, P.C.

**City of Stanton
Schedule of Findings
June 30, 2013**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one person has control over each of the following areas for the City:

- (1) Receipts – billing, posting and reconciling
- (2) Disbursements – warrant writing, posting and reconciling
- (3) Payroll – preparing and distributing

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternative procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of Stanton
Schedule of Findings
June 30, 2013**

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget

City disbursements during the year ended June 30, 2013, did not exceed the budget amounts.

II-B-13 Entertainment Expense

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions

No business transactions were noted between the City and City officials or employees.

II-E-13 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-13 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although pay raises were approved, a payroll resolution noting the authorized pay for each employee was not.

Recommendation – The Council should pass a new payroll resolution each time raises are approved.

Response – We will do this.

Conclusion – Response accepted.

II-G-13 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-13 Revenue Notes

The City is in compliance with the provisions of the revenue debt resolutions.

**City of Stanton
Schedule of Findings
June 30, 2013**

Part II: Other Findings Related to Statutory Reporting - Continued:

II-I-13 Financial Condition

Comment – The Capital Projects Fund had a deficit balance of \$168,069 at June 30, 2013.

Recommendation – The City should monitor activity in this fund in order to eliminate the deficit balance.

Response – The deficit was due to construction costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of project funding.

Conclusion – Response accepted.

II-J-13 Excess Balances

Comment – The cash balances in the Special Revenue Fund, Road Use Account, I Jobs Account, Local Option Sales Tax Account, and the Proprietary Funds, Electric and Sewer Accounts at June 30, 2013 were in excess of the disbursements made from each of the accounts during the year.

Recommendation – The City should consider the necessity of maintaining the excess balance, and where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – We are planning on using the Road Use, I Jobs and Local Option Sales Tax monies for capital projects. We are maintaining balances in the other funds as reserves for the future. We will review this further.

Conclusion – Response accepted.